

## Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 DOTE-00

OES-06 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01 PRS-01

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E.O. 11652: NA

TAGS: EGEN, GB

SUBJECT: BONGO ON AUSTERITY AND PUBLIC DEBT

REF: LIBREVILLE 1633

SUMMARY: PRESIDENT BONGOS " STATE OF THE NATION" ADDRESS  
AUGUST 17 (REPORTED REFTEL) INCLUDED SEVERAL REFERENCES TO  
NEED FOR BUDGETARY AUSTERITY AND LONG DIGRESSION ON PROBLEM  
OF PUBLIC DEBT, SUGGESTING THAT CAUTIONARY NOTES SOUNDED  
BY HIS KEY ADVISERS MAY BE PRODUCING HEALTHY RESULTS.  
END SUMMARY.

1. AS REPORTED REFTEL, PRESIDENT BONGOS AUGUST 17 SPEECH  
INCLUDED REPEATED REFERENCES TO NEED FOR BUDGETARY AUSTERITY  
AND FOR ESTABLISHMENT OF CAREFUL PRIORITIES FOR DEVELOPMENT  
PROJECTS. " WE CANNOT DO EVERYTHING AT ONCE," PRESIDENT SAID,  
SO THAT CHOICE OF MAJOR PROJECTS " MUST BE SUBJECT TO RIGOROUS  
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RATIONALIZATION". ONLY" HIGHEST PRIORITY PROJECTS AND MOST

PRODUCTIVE INVESTMENTS" CAN BE INCORPORATED IN 1976-80 FIVE-YEAR PLAN, WHICH HE PLACED " UNDER THE SIGN OF AUSTERITY AND BUDGETARY DISCIPLINE." THUS, BONGO WARNED, "CERTAIN PROJECT WILL BE DELAYED," BUT HE SUBSEQUENTLY ADDED THAT HIS PROPOSED " NEW EQUILIBRIUM" IN DEVELOPMENT IN FAVOR OF AGRICULTURE AND SOCIAL SERVICES WOULD NOT AFFECT SUCH KEY PROJECTS AS TRANSGABON RAILROAD, PORTS, AND HYDRO-ELECTRIC DEVELOPMENT.

2. EXPLAINING HIS CHOICE OF " AUSTERITY" OPTION, BONGO NOTED THREE PRINCIPAL PROBLEMS OF OVERLY RAPID DEVELOPMENT: A. INFLATIONARY OVERHEATING OF THE ECONOMY, WHICH HE SAID WOULD BE PARTICULARLY HARMFUL TO LEAST FAVORED SECTORS OF POPULATION; B. NEED TO IMPORT WORKERS INTO LABOR SHORT GABON, WITH RESULTANT RISK OF "UNBALANCING" GABONESE SOCIETY; AND C. IMPORTANCE OF INSURING " THAT PUBLIC DEBT REMAINS WITHIN REASONABLE LIMITS". LATTER TWO OF THESE PROBLEMS THEN INSPIRED LENGTHY AD LIBBED ADDITION TO PREPARED TEXT, IN WHICH BONGO OFFERED INITIAL DEFENSE OF GOG DEBT SITUATION AND CALLED FOR POPULAR "VIGILANCE" AGAINST ANY ATTEMPTS AT "SUBVERSION " BY FOREIGNERS WHO COME TO GABON TO CONTRIBUTE TO COUNTRY'S DEVELOPMENT.

3. IN DISCUSSING GABONESE PUBLIC DEBT, PRESIDENT REACTED SHARPLY TO RECENT CRITICISMS IN FINANCIAL CIRCLES. " CERTAIN NEWSPAPERS, AND CERTAIN COUNTRIES, TAKE PLEASURE IN SAYING THAT GABON WILL HAVE SERIOUS PROBLEMS IN FUTURE," BONGO SAID, " BUT THOSE WHO BELIEVE OUR COUNTRY IS HEAVILY INDEBTED ARE WRONG." IF GABONESE RESOURCES ARE FULLY DEVELOPED, PRESIDENT CONTINUED, RESULTING WEALTH AVAILABLE TO GOG WOULD BE SUCH THAT " NO ONE WOULD SPEAK OF FEW BILLIONS COMPARED WITH WHAT IS AVAILABLE FROM OUR OWN BUDGET." PRESIDENT CONCLUDED PARENTHETICAL REMARKS ON DEBT BY INSISTING THAT GABON HAS NEVER RECEIVED BUDGETARY SUPPORT AND NEVER PLEADED FOR FUNDS, AND BY PROMISING THAT EITHER HE HIMSELF OR OTHER MEMBER OF GOG WOULD RETURN TO QUESTION WITH MORE DETAILED SPEECH ON GOG DEBT SITUATION.

4. IN ADDITION TO GENERALIZED PROMISE OF AUSTERITY, PRESIDENT SPECIFICALLY AFFIRMED THAT GOG OPERATING BUDGET FOR 1977-1978- LIMITED OFFICIAL USE

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1979 WILL BE HELD TO ANNUAL LEVEL OF 1976, AND THAT DEBT DURING THESE SAME YEARS WILL BE REDUCED " BY APPROPRIATE MEASURES OF CONSOLIDATION." ELSEWHERE IN SPEECH, IN ANOTHER SEEMING AD LIB, BONGO SAID THAT 1977-1978-1979 WOULD BE " DEVOTED SOLELY TO PAYING OUR DEBTS, TO MARKING TIME, SO THAT WE CAN TAKE OFF IN 1980 FROM NEW BASES."

5. COMMENT: AS REPORTED LIBREVILLE 1107 AND 1594 NEED FOR

FINANCIAL RESTRAINT HAS BEEN INCREASINGLY RECOGNIZED WITHIN  
GOG AND BY PRESIDENT HIMSELF. NEVERTHELESS, AUGUST 17  
SPEECH-- WITH ITS CLEAR DISPLAY OF SENSITIVITY TO CRITICISM  
FROM INTERNATIONAL FINANCIAL CIRCLES-- IS IMPORTANT FOR ITS  
PUBLIC ACCEPTANCE OF NEED TO TAILOR DEVELOPMENT TO AVAILABLE  
MEANS. THIS IS MESSAGE WHICH HAS BEEN PREACHED FOR PAST  
SEVERAL MONTHS BY KEY ADVISERS (SUCH AS MINFINANCE OKINDA  
AND PRESIDENCY MIN/COUNSELOR NTOUTOUME), AND WHICH  
PRESUMABLY WAS REINFORCED BY EVIDENT DIFFICULTY IN OBTAINING  
NEW EXTERNAL FINANCING AT PREFERENTIAL RATES HITHERTO ENJOYED  
(LIBREVILLE 1594). AS ALWAYS, PROOF WILL COME IN APPLICATION  
OF PRINCIPLES ENUNCIATED IN BONGOS SPEECH BUT PRESIDENT  
HAS AT VERY LEAST TAKEN ANOTHER STEP IN RIGHT DIRECTION.  
STEIGMAN

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